

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Competitive Product Prices
Global Plus 2C Contracts (MC2012-5)
Negotiated Service Agreement

Docket No. CP2015-71

ORDER APPROVING CONTINGENCY PRICES FOR A
GLOBAL PLUS 2C NEGOTIATED SERVICE AGREEMENT

(Issued May 26, 2016)

I. INTRODUCTION

The Postal Service seeks to set contingency prices for a Global Plus 2C negotiated service agreement.¹ For the reasons discussed below, the Commission approves the contingency prices.

¹ Notice of United States Postal Service of Prices Under Functionally Equivalent Global Plus 2C Negotiated Service Agreement, May 16, 2016 (Notice).

In Order No. 2507, the Commission approved the Global Plus 2C negotiated service agreement.² The agreement is set to expire May 31, 2016. Order No. 2507 at 7. On May 16, 2016, the Postal Service filed notice of contingency prices for International Business Reply Service. On May 18, 2016, the Commission issued an order reopening this docket to consider the contingency prices, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the contingency prices to become effective June 1, 2016. Notice at 3. The Postal Service filed a redacted letter to the customer noticing contingency prices (Attachment 1), as well as supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice, Attachments 1, 2. The Postal Service asserts that the contingency prices comply with 39 U.S.C. § 3633. *Id.* Attachment 2.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the contingency prices and supporting financial model filed under seal that accompanies the Notice. PR Comments at 2. Based on that review, she concludes that the contingency prices should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633. *Id.* She notes that while volume and cost coverage estimates are unavailable, the revenue and cost per piece data show that the contingency prices should cover costs. *Id.* at 2-3.

² See Docket No. CP2015-71, Order Approving Additional Global Plus 2C Negotiated Service Agreement, May 27, 2015 (Order No. 2507).

³ Order No. 3300, Notice and Order Concerning Contingency Prices for a Global Plus 2C Negotiated Service Agreement, May 18, 2016.

⁴ Public Representative Comments on Postal Service Notice of Filing Contingency Prices for a Global Plus 2C Negotiated Service Agreement, May 25, 2016 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The contingency prices change rates for International Business Reply Envelopes received from Canada. Notice, Attachment 1.

Based on a review of the record, the Commission finds that the contingency prices should cover attributable costs. Consequently, the Commission finds that the contingency prices should allow the Global Plus 2C product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the contingency prices should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the contingency prices unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the contingency prices indicates they are consistent with section 3633(a). The Commission will review the cost coverage of the contingency prices, the cost coverage of the Global Plus 2C product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service states that the contingency prices shall become effective June 1, 2016. Notice at 3. The contingency prices are to remain in effect until the Postal Service chooses to modify the prices. *Id.* at 2.

In conclusion, the Commission approves the contingency prices under the Global Plus 2C agreement.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the contingency prices for the Global Plus 2C negotiated service agreement.
2. The Postal Service shall notify the Commission if it modifies the contingency prices.

By the Commission.

Stacy L. Ruble
Secretary